

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1708

March 31, 2011

SUMMARY OF BILL: Opens enrollment in a public charter school to all students eligible for enrollment in Tennessee. Removes all preference and requirements for a lottery for student enrollment in current law. Authorizes the creation of a charter school specifically for the re-enrolling of students who have dropped out of high school.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$497,800/FY13-14 and Subsequent Years

Increase Local Expenditures* - \$4,069,500/FY13-14

\$6,850,900/FY14-15

\$9,134,600/FY15-16

\$10,657,000/FY16-17

\$11,418,200/FY17-18 and Subsequent Years

Assumptions:

- The charter school application and approval process will require significant lead-time.
- Eleven new charter schools are scheduled to open in FY11-12 under current law. One new charter school has been approved to open in FY12-13 under current law.
- It is assumed that an additional 9 charter schools will open in FY12-13 under current law which will put the total number of charter schools at 49 schools.
- This bill will not remove the current statutory cap of 90 charter schools.
- Beginning in FY13-14, it will take five years to reach the cap of 90, adding 10 new charter schools each year in FY13-14 through FY17-18.
- Based on information provided by the Comptroller of the Treasury, the average projected initial charter school enrollment is 128 students per school. These students will transfer from public schools and are not eligible for charter schools under current law. The number of additional charter school students in FY12-13 and each subsequent year through FY17-18 will be 1,280 (128 x 10) as a result of this bill.
- In FY13-14, 128 high school students will re-enroll in a public charter school.

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- Charter schools are funded on a per-pupil basis. The state and local Basic Education Program (BEP) funding for students transferring out of a regular public school into a public charter school will follow the student. Based on information from the DOE, the average per pupil expenditure exclusive of federal dollars is \$5,947. Of this amount, \$3,889 is state dollars and \$2,058 is local dollars.
- Using FY11-12 funding amounts, in FY13-14 and subsequent years, the BEP will begin to generate \$263,424 in local dollars ($\$2,058 \times 128$) and \$497,792 in state dollars ($\$3,889 \times 128$).
- The annual state and local share of the cost of students transferring to charter schools as a result of this bill will be \$7,612,160 ($\$5,947 \times 1,280$). These state and local dollars will follow the students to the charter school.
- Charter school students will continue to be counted as LEA students for the purpose of Average Daily Membership (ADM) calculation under the BEP formula. BEP-formula generated funding will not change as a result of this bill.
- LEAs will make system-wide adjustments and will redirect or reduce resources in a manner that will partially compensate for the shift of students and funding, but will not be able to reduce teachers and classroom expenditures enough to offset fully the loss of state and local funding shifting to the charter schools. In most cases, there will not be a sufficient reduction in the number of students in any classroom to eliminate a teaching position resulting from that shift. In Davidson County, 1,256 students have moved to charter schools under current law. Davidson County has had no reduction in expenditures from this shift.
- System-wide adjustments resulting from a larger population of charter school students under this bill will create greater flexibility and will allow for some expenditure reductions that are not possible under current law. These system-wide adjustments will compensate for 50 percent of the funding shift to charter schools. LEAs will maintain teachers and resources for the remaining 50 percent of the state and local funding shift and will increase expenditures in the amount of \$4,069,504 [$(\$7,612,160 \times 50\%) + \$263,424$] in FY13-14.
- The system-wide adjustments will compensate for an additional 5 percent each year resulting in a total 70 percent in FY17-18 and subsequent years.
- The increase in local expenditures for FY14-15 through FY17-18 will be as follows:
 - FY14-15: \$6,850,944 [$(\$7,612,160 \times 2) \times 45\%$]
 - FY15-16: \$9,134,592 [$(\$7,612,160 \times 3) \times 40\%$]
 - FY16-17: \$10,657,024 [$(\$7,612,160 \times 4) \times 35\%$]
 - FY17-18 and subsequent years: \$11,418,240 [$(\$7,612,160 \times 5) \times 30\%$]
- No increase in the BEP funding formula.
- In FY17-18, it is assumed that the cap will be reached.

*Article II, Section 24 of the Tennessee Constitution provides that: *No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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